

# Committee to Save Our BSO

Baltimore and North Bethesda, Maryland

December 7, 2018

The Board of Directors  
Baltimore Symphony Orchestra, Inc.  
Joseph Meyerhoff Symphony Hall  
1212 Cathedral Street  
Baltimore, Maryland 21201

Dear Members of the Board of Directors:

We are writing to introduce ourselves to you. You may have heard about our group, but we want to tell you who we are and what we hope to accomplish.

We are, first and foremost, devoted patrons and supporters of the Baltimore Symphony Orchestra. For many years, we have backed the BSO by attending concerts and supporting the BSO financially through our donations to the annual fund and endowment drives and through planned gifts to ensure there are future generations of BSO patrons and supporters.

Over the years, we have celebrated the emerging greatness of our orchestra and its gifts to the people of Baltimore, North Bethesda, and the State of Maryland. Just a few months ago, many of us were fortunate enough to accompany the BSO on its highly successful tour to Edinburgh, London, and Dublin. The BSO's great accomplishments were celebrated by the organization's leaders, who reveled in the world-class accomplishments of our orchestra.

With that as a backdrop, we were stunned when, a mere two months after the tour, the BSO's senior management announced that the organization could not afford a full-time contract for the musicians, who were then playing without a contract, and that the musicians would have to bear the brunt of a substantial cut in pay and benefits – over 20 percent – with the contract to be reduced from 52 weeks per year to 40 weeks per year.

We were shocked by management's proposal for the musicians who, in the preceding months, had been the subject of the highest praise from BSO leadership.<sup>1</sup> We expressed our strong disapproval of management's treatment of the musicians, who had been waiting since June for management to present a contract proposal. We were disturbed by management's apparent decision to hold back on making its proposal until the end of October, two months after the trip to Europe was over and, more significantly, a month-and-a-half after the musicians' contract had expired.

In the weeks since management made its contract proposal, we have worked to understand the bases for their proposal. We have spoken with the BSO's senior management on several occasions to understand the organization's financial condition, and we have reviewed both publicly available financial information and some financial information that management shared with us. We regret, however, that management has not been fully transparent with us about the BSO's financial condition, particularly with respect to providing information we have requested about the Baltimore Symphony Endowment Trust.

During the course of our review, we requested clarification about a footnote contained in the BSO's audited financial statements and management's more recent statements about annual draws paid to the BSO by the Endowment Trust. In their responses, management cited provisions in the Trust Agreement governing the Endowment Trust, and that prompted us to request access to the Trust Agreement. On Tuesday, December 4th, senior management advised us that we would not be allowed to see the Trust Agreement.<sup>2</sup>

We do not doubt that the BSO operations have been losing money. Senior management has told us in the past that operational losses are not unusual in the classical music world, and that is consistent with our own research. As the BSO's audited financial statements confirm, however, the Baltimore Symphony Orchestra

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<sup>1</sup> We originally wrote to you about this on November 10th and sent our letter to your Chair and the BSO's CEO, with a request that our letter be shared with you. We understand that did not happen, so we are including with this letter a copy of our November 10th letter. Your copy references the fact that 68 people signed the November 10th letter. Senior management has the original letter, which includes the names of all who signed the letter.

<sup>2</sup> Management's decision is puzzling because many of us are past donors to the Endowment Trust and supporters who have made planned arrangement for death-time transfers to the Endowment Trust. As such, we plainly have a right to know the contents of the Trust Agreement, insofar as it directs how our contributions will be utilized by the Endowment Trust.

is not simply the operational entity that presents classical music concerts; it also includes the Endowment Trust. Indeed, the BSO’s audited financial statements present the BSO’s operational entity and the Endowment Trust as a consolidated single entity, and that consolidated entity has ample net assets to support a world class orchestra.

Through publicly accessible materials, we do know a few things about the Endowment Trust. First, we know from the Endowment Trust’s Form 990 for the year ended August 31, 2017, that the fund had net assets slightly in excess of \$95.6 million, the bulk of which were investments. We also know that the Endowment Trust reported almost \$2.3 million in net revenues, after deducting the annual draw paid by the Endowment Trust to the BSO that year.

As you know, a major function of the Endowment Trust is to make the annual payments – known as “draws” – to the BSO’s operations. Senior management has informed us that the Trust Agreement prevents the Endowment Trust from distributing a draw to the BSO in excess of 6 percent of its value. While management will not let us see the Trust Agreement, we note that management’s assertion suggests that the Endowment Trust’s ability to support the BSO is more restrictive than applicable Maryland statutory law, which authorizes similar entities to distribute up to 7 percent annually, without creating a presumption that the draw was imprudent.<sup>3</sup>

The impact of the Endowment Trust’s self-imposed restriction has been to starve the BSO’s operations. We suspect most donors to the BSO’s Endowment Trust would be surprised to learn this; we certainly were. To illustrate this point, at a recent management-led “Listening Session” with BSO patrons, management advised that the draw in FY 2018 was \$3.7 million. Management previously advised us that the Endowment Trust paid a draw in FY 2018 based on 5.75 percent of the Endowment Trust’s value, which implies a base of approximately \$64.35 million in assets for calculating the draw. Based solely on management’s own numbers, the Endowment Trust’s self-imposed restriction deprived the BSO of over \$800,000 in FY 2018 alone.

Thus, we believe that a fair review of available financial records confirms that the BSO has ample resources to sustain its world-class status and to treat the musicians fairly. Unfortunately, management apparently believes that the only

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<sup>3</sup> Indeed, under Maryland law, such a fund may distribute more than 7 percent, provided it can substantiate its determination that such a distribution is prudent.

way to “improve” the BSO is to slash spending and to restrict the Endowment Fund’s ability to support the orchestra – with real hardship visited upon our already underpaid musicians and their families – and to cut the BSO’s season by twelve weeks. The inevitable result of this proposal will be the gutting of the orchestra and the transformation of it from a world class orchestra to a regional ensemble.

As you likely know, the BSO has many peer orchestras that have gone through hard times and have emerged as solid orchestras. Management frequently cites them as examples, although we wish that when they do so, management would also note that those orchestras pay their musicians significantly more than the BSO pays its musicians. Management’s proposal may be one that would produce lower costs, but, in doing so, we believe it will exacerbate the BSO’s problems retaining its musicians and will seriously hinder the BSO’s ability to attract the caliber of musicians who have made the BSO a world class orchestra.

Management has also suggested to us that the Endowment Trust does not exist to support the BSO. Rather, management has advised us that the Endowment Trust exists to support a generic cause, such as “classical music in Baltimore.” We believe such an assertion is preposterous. It flies in the face of the disclosures in the Endowment Trust’s annual Forms 990, and it defies management’s repeated public statements over the years to solicit support for the Endowment Trust. All one needs to do is refer to the “Resounding” discussion in the latest “Overture” magazine to appreciate the dubious nature of any claim that the Endowment Trust does not exist to support the BSO.

Nobody believes the BSO can exist in perpetuity, relying on its Endowment Trust for substantial funding, but the BSO should not be sacrificed simply to increase the Endowment Trust’s assets. We believe donors intended that the Endowment Trust support the BSO, rather than starve it. At the very least, we urge the BSO to consider relying upon the Endowment Trust as a “bridge” to prevent the degradation of the orchestra while it makes adjustments to secure long-term stability for the orchestra.

With regard to that last point, we have offered to work with and assist management through a collaborative process, which would include sharing our thoughts about how the BSO could increase revenues and enhance programming. We can only do so, however, if management becomes more transparent and demonstrates that it is committed to maintaining our great orchestra. Unfortunately, the BSO’s lack of transparency only exacerbates doubts and suspicions about management’s motives regarding the future of the BSO.

In the past, BSO management has found ways to achieve what is necessary to maintain our great orchestra. It is time for management to honor the commitments it has made to those who supported the BSO over the years and to sustain the excellence of our BSO for the next 100 years. We ask the BSO to commit to becoming more transparent about its financial condition and that it demonstrate its commitment, initially, by making the Trust Agreement for the Endowment Trust available for review. We, in turn, remain prepared to recommit our support for the BSO.

Sincerely,

Signing on Behalf of the Committee to Save Our BSO

John and Bonnie Boland  
John Jay Bonstingl  
Nancy Bridges  
Carole Hamlin and Fraser Smith  
Susan and David Hutton  
Mark Laken  
Alan and Dalia Mitnick  
Bill and Dotty Nerenberg  
Marge Penhallegon  
John and Susan Warshawsky